

TOWN OF WASHINGTON, LOUISIANA
FINANCIAL REPORT
JUNE 30, 2017

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VIGE, TUJAGUE NOEL

A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Board of
Aldermen/Alderwomen
Town of Washington
Washington, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Washington, Louisiana as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Washington, Louisiana, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that the Town will continue as a going concern. As discussed in Note 18 to the financial statements, the Town has fund balance deficiencies that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 18. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison and pension information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Town of Washington has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Other Information

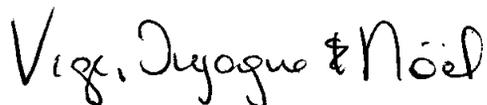
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Washington, Louisiana's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of compensation, benefits, and other payments to agency head, as listed in the table of contents, as required by the State of Louisiana, is presented for purposes of additional analysis and is not a required part of the financial statements.

The combining and individual nonmajor fund financial statements and the schedule of compensation, benefits, and other payments to agency head are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial

statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of compensation, benefits, and other payments to agency head are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2018, on our consideration of the Town of Washington, Louisiana’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Washington, Louisiana’s internal control over financial reporting and compliance.



Vige, Tujague, & Noël
September 17, 2018

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF WASHINGTON, LOUISIANA
STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash	\$ 257,958	\$ 41,115	\$ 299,073
Accounts receivable, net	18,825	44,329	63,154
Unbilled service receivable	-	19,538	19,538
Inventory, at cost	-	10,471	10,471
Due from governmental funds	-	150,797	150,797
Restricted assets			
Cash	-	36,066	36,066
Capital assets, net of depreciation	1,092,305	1,713,004	2,805,309
<u>Total assets</u>	<u>1,369,088</u>	<u>2,015,320</u>	<u>3,384,408</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows related to pensions	132,364	-	132,364
<u>LIABILITIES AND NET POSITION</u>			
<u>LIABILITIES</u>			
Accounts payable and accrued expense	149,942	39,201	189,143
Compensated absences payable	1,729	3,677	5,406
Due to proprietary fund	150,797	-	150,797
Ticket fines payable	180,044	-	180,044
Liabilities payable from restricted assets			
Customers' deposits	-	76,367	76,367
Non-current liabilities			
Compensated absences payable	15,557	-	15,557
Net pension liability	170,304	-	170,304
<u>Total liabilities</u>	<u>668,373</u>	<u>119,245</u>	<u>787,618</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows related to pensions	80,995	-	80,995
<u>NET POSITION</u>			
Invested in capital assets	1,092,305	1,713,004	2,805,309
Restricted for –			
Sales tax dedications	35,101	-	35,101
Unrestricted	(375,322)	183,071	(192,251)
<u>Total net position</u>	<u>\$ 752,084</u>	<u>\$ 1,896,075</u>	<u>\$ 2,648,159</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF WASHINGTON, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

FUNCTIONS/PROGRAM	PROGRAM REVENUES				NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION		
	EXPENSES	FEES, FINES AND CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary government:							
Governmental Activities							
General government	\$ 580,971	23,030	\$ -	\$ -	\$ (557,941)	\$ -	\$ (557,941)
Public safety	623,884	442,798	-	-	(181,086)	-	(181,086)
Public works	279,015	-	138,004	-	(141,011)	-	(141,011)
Culture and recreation	72,500	43,951	3,840	-	(24,709)	-	(24,709)
<u>Total governmental activities</u>	<u>1,556,370</u>	<u>509,779</u>	<u>141,844</u>	<u>-</u>	<u>(904,747)</u>	<u>-</u>	<u>(904,747)</u>
Business-type Activities							
Water	139,468	121,274	-	-	-	(18,194)	(18,194)
Sewer	90,111	30,914	-	-	-	(59,197)	(59,197)
Gas	188,198	349,803	-	-	-	161,605	161,605
<u>Total business-type activities</u>	<u>417,777</u>	<u>501,991</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,214</u>	<u>84,214</u>
<u>Total primary government</u>	<u>\$ 1,974,147</u>	<u>\$ 1,011,770</u>	<u>\$ 141,844</u>	<u>\$ -</u>	<u>(904,747)</u>	<u>84,214</u>	<u>(820,533)</u>
General Revenues							
Taxes							
Property					26,977	-	26,977
Sales and use					149,054	-	149,054
Franchise					48,258	-	48,258
Intergovernmental					28,617	-	28,617
License and permits					55,944	-	55,944
Nonemployer pension contribution					3,381	-	3,381
Miscellaneous					88,491	7,272	95,763
Interest earnings					82	89	171
Transfers					178,498	(178,498)	-
<u>Total general revenues</u>					<u>579,302</u>	<u>(171,137)</u>	<u>408,165</u>

Continued on next page

The accompanying notes are an integral part of the basic financial statements.

TOWN OF WASHINGTON, LOUISIANA
STATEMENT OF ACTIVITIES - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

<u>FUNCTIONS/PROGRAM</u>	<u>PROGRAM REVENUES</u>				<u>NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION</u>		
	<u>EXPENSES</u>	<u>FEEES, FINES AND CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
<u>Change in net assets</u>					\$ (325,445)	\$ (86,923)	\$ (412,368)
Net position – beginning of year					1,077,529	1,982,998	3,060,527
Net position – end of year					\$ 752,084	\$ 1,896,075	\$ 2,648,159

The accompanying notes are an integral part of the basic financial statements.

FUND FINANCIAL STATEMENTS

TOWN OF WASHINGTON, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>Major Funds</u>		Non-Major Funds	Total Governmental Funds
	<u>General</u>	<u>Sales Tax</u>		
<u>ASSETS</u>				
Cash	\$ 148,885	\$ 31,454	\$ 77,619	\$ 257,958
Taxes receivable, net	415	-	-	415
Due from other funds	84,120	3,647	45,000	132,767
Other receivables	18,410	-	-	18,410
	<u>148,830</u>	<u>35,101</u>	<u>122,619</u>	<u>316,550</u>
<u>Total assets</u>	<u>\$ 251,830</u>	<u>\$ 35,101</u>	<u>\$ 122,619</u>	<u>\$ 409,550</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts payable	\$ 148,859	\$ -	\$ 2,812	\$ 151,671
Disaster funds payable	-	-	-	\$ -
Ticket fines payable	180,044	-	-	180,044
Due to other funds	235,414	-	48,150	283,564
	<u>564,317</u>	<u>-</u>	<u>50,962</u>	<u>615,279</u>
<u>Total liabilities</u>	<u>564,317</u>	<u>-</u>	<u>50,962</u>	<u>615,279</u>
<u>FUND BALANCES</u>				
Assigned	-	35,101	120,348	155,449
Unassigned	(312,487)	-	(48,691)	(361,178)
	<u>(312,487)</u>	<u>35,101</u>	<u>71,657</u>	<u>(205,729)</u>
<u>Total liabilities and fund balances</u>	<u>\$ 251,830</u>	<u>\$ 35,101</u>	<u>\$ 122,619</u>	<u>\$ 409,550</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF WASHINGTON, LOUISIANA
RECONCILIATION OF THE GOVERNMENTAL FUNDS' BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total fund balances - governmental funds	\$ (205,729)
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds.	
Capital assets, net	1,092,305
Amounts related to pension recognition are not due and payable in the current period and, therefore, are not reported in the funds	(118,935)
Long-term liabilities at June 30, 2017	
Compensated absences payable	<u>(15,557)</u>
<u>Net position of governmental activities</u>	<u>\$ 752,084</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF WASHINGTON, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General</u>	<u>Sales Tax</u>	<u>Non-Major Funds</u>	
<u>REVENUES</u>				
Taxes	\$ 75,235	\$ 149,054	\$ -	\$ 224,289
Licenses and permits	55,944	-	-	55,944
Intergovernmental	170,461	-	-	170,461
Charges for services	23,030	-	43,951	66,981
Fines and forfeitures	442,798	-	-	442,798
Interest income	61	21	-	82
Miscellaneous	88,032	-	3,840	91,872
<u>Total revenues</u>	<u>855,561</u>	<u>149,075</u>	<u>47,791</u>	<u>1,052,427</u>
<u>EXPENDITURES</u>				
Current				
General government	453,532	441	95,301	549,274
Public safety	574,767	-	-	574,767
Public works	229,366	-	-	229,366
Culture and recreation	7,710	-	407	8,117
Maintenance department	41,036	-	-	41,036
Capital outlay	-	-	-	-
<u>Total expenditures</u>	<u>1,306,411</u>	<u>441</u>	<u>95,708</u>	<u>1,402,560</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>				
	(450,850)	148,634	(47,917)	(350,133)
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating transfers in	316,698	-	25,000	341,698
Operating transfers out	(4,700)	(143,500)	(15,000)	(163,200)
<u>Total other financing sources (uses)</u>	<u>311,998</u>	<u>(143,500)</u>	<u>10,000</u>	<u>178,498</u>
<u>NET CHANGE IN FUND BALANCES</u>				
	(138,852)	5,134	(37,917)	(171,635)
<u>FUND BALANCES,</u>				
Beginning of year	(173,635)	29,967	109,574	(34,094)
End of year	<u>\$ (312,487)</u>	<u>\$ 35,101</u>	<u>\$ 71,657</u>	<u>\$ (205,729)</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF WASHINGTON, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds		\$ (171,635)
<p>The change in net position reported for governmental activities in the statement of activities is different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay	\$ -	
Depreciation expense	(133,201)	(133,201)
The net effect of pension liability recognition		(22,149)
<p>The net effect of various miscellaneous transactions involving capital assets, such as sales, trade-ins, and donating, is to decrease net position.</p>		
Decrease in compensated absences payable		1,540
Total change in net position of governmental activities		\$ (325,445)

The accompanying notes are an integral part of the basic financial statements.

TOWN OF WASHINGTON, LOUISIANA
STATEMENT OF NET POSITION
PROPRIETARY FUND
BUSINESS-TYPE ACTIVITIES – ENTERPRISE FUND
JUNE 30, 2017

ASSETS

CURRENT ASSETS

Cash	\$ 41,115
Accounts receivable, net of allowance for uncollectible accounts of \$56,125	44,329
Unbilled service receivable	19,538
Inventory, at cost	10,471
Due from other funds	150,797
<u>Total current assets</u>	266,250

RESTRICTED ASSETS

Cash	36,066
<u>Total restricted assets</u>	36,066

CAPITAL ASSETS

Land	123,197
Buildings	63,067
Equipment	72,989
Utility plant in service	5,735,433
Vehicles	54,359
Accumulated depreciation	(4,336,041)
<u>Total capital assets</u>	1,713,004

Total assets

2,015,320

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Payable from current assets:	
Accounts payable	39,201
Compensated absences payable	3,677
Payable from restricted assets:	
Customer deposits	76,367
<u>Total current liabilities</u>	119,245

NET POSITION

Invested in capital assets	1,713,004
Unrestricted	183,071
<u>Total net position</u>	\$ 1,896,075

The accompanying notes are an integral part of the basic financial statements.

TOWN OF WASHINGTON, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
BUSINESS-TYPE ACTIVITIES – ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2017

Operating Revenues	
Charges for services	\$ 501,991
Miscellaneous	7,272
<u>Total operating revenues</u>	<u>509,263</u>
Operating expenses	
Salaries and wages	52,484
Payroll taxes	3,656
Professional services	15,880
Fuel purchased	44,669
Office expenses	4,953
Supplies	6,734
Utilities	16,876
Telephone	4,884
General insurance	49,780
Repairs and maintenance	61,531
Depreciation expense	107,212
Automobile expenses	5,977
Survey and analysis	3,025
Drug testing	3,014
Retirement	675
Uniforms	1,578
Rental equipment	351
Miscellaneous	22,756
Contract labor	11,742
<u>Total operating expenses</u>	<u>417,777</u>
<u>Operating income</u>	91,486
Non-operating revenues (expenses):	
Interest income	89
<u>Income before transfers</u>	<u>91,575</u>
Operating transfers in (out):	
Transfers in	-
Transfers out	(178,498)
<u>Total operating transfers in (out)</u>	<u>(178,498)</u>
Change in net position	(86,923)
<u>NET POSITION</u> , beginning of year	<u>1,982,998</u>
<u>NET POSITION</u> , end of year	<u>\$ 1,896,075</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF WASHINGTON, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
BUSINESS-TYPE ACTIVITIES – ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2017

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from customers	\$ 422,624
Payments to suppliers for goods and services	(222,586)
Payments to employees and for employee related costs	(55,658)
<u>Net cash provided by operating activities</u>	<u>144,380</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>	
Transfers from other funds	-
Transfers to other funds	(178,498)
<u>Net cash used in noncapital financing activities</u>	<u>(178,498)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Purchase of fixed assets	(6,935)
Disposal of fixed assets	209
<u>Net cash used in capital and related financing activities</u>	<u>(6,726)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest earnings	89
<u>Net Decrease in Cash</u>	(40,755)
<u>CASH, beginning of year</u>	<u>117,936</u>
<u>CASH, end of year</u>	<u>\$ 77,181</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	
Operating income	\$ 91,486
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	107,212
Changes in assets and liabilities –	
(Increase) decrease in receivables	(86,644)
(Increase) decrease in inventory	379
(Decrease) increase in accounts payable and accrued expenses	30,795
(Decrease) increase in compensated absences payable	1,157
(Decrease) increase in customers' meter deposits	(5)
<u>Net cash provided by operating activities</u>	<u>\$ 144,380</u>
<u>CASH REPORTED ON STATEMENT OF NET POSITION AS:</u>	
Current	\$ 41,115
Restricted	36,066
Total	<u>\$ 77,181</u>

The accompanying notes are an integral part of the basic financial statements.

NOTES TO FINANCIAL STATEMENTS

TOWN OF WASHINGTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of Washington, Louisiana, (the "Town") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, when applicable, that do not conflict with or contradict GASB pronouncements for both the government-wide and proprietary fund financial statements. Although the Town has the option to apply FASB pronouncements issued after that date, they have chosen not to do so. The more significant accounting policies of the Town are described below.

Reporting Entity

A financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Primary government

The Town was incorporated under the provisions of the Lawrason Act. The Town operates under a Mayor-Board of Aldermen form of government and provides the following services to the residents of the Town as authorized by its charter: public safety and public works (police, highways and streets, fire), water, gas and sewer, culture and recreation, public improvements, planning and zoning, and general administrative services. The Town changed to Home Rule Charter in October 2010.

Component units

GASB Statement No. 14, "The Financial Reporting Entity," establishes criteria for determining which entities should be considered a component and, as such, part of the reporting entity for financial reporting purposes.

The basic criteria are as follows:

1. Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name.
2. Whether the primary government's governing authority (Board of Aldermen or Mayor) appoint a majority of board members of the potential component unit.
3. Fiscal interdependency between the primary government and the potential component unit.
4. Imposition of will by the primary government on the potential component unit.
5. Financial benefit/burden relationship between the primary government and the potential component unit.

Based on this criteria, the Town includes no component units. The Washington Museum and Tourist Commission was created by the Louisiana Legislature to maintain the Museum and displays contained in the Museum, develop and foster tourism in the Town, develop and foster an interest in historic preservation, and all other items which are necessary for the conservation, preservation, and restoration of the historic and cultural resources in the Town. However, the Mayor of the Town appoints all nine members of the Commission and the Town Commission is dependent on the Town for financing and all decision making.

TOWN OF WASHINGTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation

The Town's basic financial statements consist of the government-wide statements on all of the non-fiduciary activities of the government and the fund financial statements (individual major fund and combined non-major funds). The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units.

Government-wide Financial Statements

The government-wide financial statements include a Statement of Net Position and Statement of Activities for all non-fiduciary activities of the government. As a general rule, the effect of interfund activity has been removed from these statements. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions. Business type activities are financed in whole or in part by fees charged to external parties.

In the Statement of Net Position both the governmental and business-type activities columns (1) are presented on a consolidated basis by column, and (2) are reported on a full accrual, economic resource basis, which recognized all long-term assets and receivables as well as long-term debt and obligations. The Town's net position are reported in three parts: (1) invested in capital assets, net of related debt, (2) restricted, and (3) unrestricted. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net cost (by function or business-type activity) is normally covered by general revenue (property, sales and use taxes, intergovernmental revenues, investment income, etc.). The Town does not allocate indirect costs.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

Fund Financial Statements

The fund financial statements provide information about the Town's funds. The emphasis of fund financial statements is on major individual governmental funds, each reported in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment income, result from non-exchange transactions or ancillary activities.

TOWN OF WASHINGTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Financial Statements - Continued

The Town reports the following major governmental funds:

General Fund – This is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Sales Tax Fund – This fund accounts for the receipts and disbursements of proceeds from the Town's 1.2% sales and use tax levies. These taxes are dedicated as described in Note 6.

In addition, the Town reports the following nonmajor governmental funds:

Library Fund – This fund accounts for the collection and disbursement of funds for the purchase, operation and maintenance of the Town's library.

Cemetery Fund – This fund accounts for the collection and disbursement of funds for the operation and maintenance of the Town's cemetery.

Museum Fund – This fund accounts for the collection and disbursement of funds for the operation and maintenance of the Town's museum.

The Town reports the following major Enterprise Fund:

Utility Fund – This fund accounts for the provision of gas, water and sewer services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Town has three non-major funds which are reported in a column labeled "Other Governmental Funds" in the fund financial statements.

Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included in their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given

TOWN OF WASHINGTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

period. These funds use fund balances as their measure of available spendable financial resources at the end of the period.

- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objective of this measurement focus is the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Sales taxes are considered “measurable” when in the hands of the Sales Tax Collector and are recognized as revenue at that time. Ad valorem taxes are recognized as revenue in the year for which budgeted, that is, in the year in which such taxes are billed and collected. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred except that accumulated unpaid vacation and sick pay are not accrued and principal and interest on general long-term debt are recognized when due. Purchases of various operating supplies are regarded as expenditures at the time purchased.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Bad debts are written off when accounts became worthless.

Transfers between funds that are not expected to be repaid are accounted for as other financing sources (uses). These transactions are recorded when the transfers occur.

Program Revenues

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the Town's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Town's general revenues.

TOWN OF WASHINGTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Allocation of Indirect Expenses

The Town reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions, but are reported separately in the Statement of Activities. Depreciation expense is specifically identified by function.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash includes amounts in demand deposits and on hand. For purposes of statements of cash flows, highly liquid investments (including restricted assets) with an original maturity of three months or less are considered to be cash equivalents. The Town has no cash equivalents at June 30, 2017.

Interfund Receivables and Payables

Short-term borrowings between funds are considered temporary in nature. These amounts are reported as "due to/from other funds." Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as "interfund receivables and payables." Interfund receivables and payables within governmental activities are eliminated in the Statement of Net Position.

Receivables

Accounts receivable for the Utility Fund are reported net of an allowance for doubtful accounts. The allowance amount at June 30, 2017 is \$56,125.

Restricted Assets

Certain resources of the Utility Fund are classified as restricted assets in the Statement of Net Position because they represent customers' deposits being held by the Town.

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund or proprietary fund operating and whether they are reported in the government-wide or fund financial statements.

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are capitalized at historical cost, or estimated historical cost for fixed assets where actual historical cost is not available. Prior to July 1, 2002, the Town did not maintain a listing of its general fixed assets. In order to estimate historical costs for the buildings, the Town used insured values discounted based on the consumer price index. This method is not in accordance with generally accepted accounting principles. In addition, other capital asset categories do not include any assets purchased prior to July 1, 2002. Donated assets are recorded as capital assets at their estimated fair value as of the date received. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. As provided for in GASB Statement No. 34, the

TOWN OF WASHINGTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fixed Assets - Continued

Town has chosen not to retroactively report these assets. The Town of Washington maintains a threshold level of \$500 or more for capitalizing capital assets.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

<u>Government-wide Financial Statements</u>	<u>Years</u>
Buildings	10 - 30
Gas system	10 – 50
Sewer system	25
Vehicles	5 – 10
Water system	10 – 40
Library books	6
Other improvements	10 – 15
Equipment	5 - 10

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

1. Invested in capital assets – consists of capital assets, including restricted capital assets, net of accumulated depreciation.
2. Restricted net position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – all other net position that do not meet the definition of "restricted" or "invested in capital assets."

Fund Financial Statements

In the fund financial statements, governmental funds report aggregate amount for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

TOWN OF WASHINGTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the town council – the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the town council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the town's "intent" to be used for specific purposes, but are neither restricted nor committed. The town council and town manager have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers the amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Town has provided otherwise in its commitment or assignment actions.

The General Fund, Library Fund and Museum Fund have deficit fund balances in the amount of \$312,487, \$45,143 and \$3,548, respectively. The mayor is exploring ways to increase revenues and decrease expenses to correct these deficits. Excess funds from the proprietary fund will also be transferred to eliminate the deficit balances.

Interfund Transfers

Permanent reallocations of resources between funds of the primary government are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds and individual proprietary funds have been eliminated.

Impairments

The Town evaluates long-term assets to be held and used for impairment when events or changes in economic circumstances indicate the carrying value of such assets may be unrecoverable. The Town uses an estimate of the future undiscounted net cash flows to measure whether the assets are recoverable and measured for impairment by reference to fair value. Fair value is generally estimated using the Town's expectations of discounted net cash flows. Long-term assets to be disposed of are carried at the lower of cost or fair value less the costs of disposal.

TOWN OF WASHINGTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Compensated Absences

Each employee earns ten days of vacation a year. Amounts not used in the year it is earned can be carried over to the next year.

Investments

Under state law, the Town may invest in United States bonds, treasury notes or certificates, or time certificates of deposit of state banks having their principal office in the State of Louisiana, or any other federally insured investment. The Town may also invest in shares of any homestead and building and loan association in any amount not exceeding the federally insured amount.

NOTE (2) CASH AND CASH EQUIVALENTS

The cash and cash equivalents of the Town of Washington, Louisiana are subject to the following risk:

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Town will not be able to recover its deposits. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent bank has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the Town's name.

At year-end, the carrying amount of the Town's cash was \$336,766 and cash on hand in various funds was \$400, totaling \$337,166. The bank balance was \$350,006. At June 30, 2017, FDIC covered \$500,000 and \$10,846 was covered by securities held by the pledging financial institution in the Town's name.

NOTE (3) PROPERTY TAXES

Government-wide Financial Statements

Property taxes are recognized in the year for which they are levied, net of uncollectible amounts, as applicable.

Fund Financial Statements

Property taxes attach as an enforceable lien on property at January 1. Taxes are levied on September 1 and are due by December 31. The Town bills and collects its own property taxes. For the year ended June 30, 2017, ad valorem taxes of 6.62 mills were levied on assessed valuations totaling \$4,337,590 and were dedicated to general corporate purposes. Total taxes levied were \$28,715. Property taxes receivable at June 30, 2017 totaled \$415.

TOWN OF WASHINGTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE (4) CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated –				
Land	\$ 113,767	\$ -	\$ -	\$ 113,767
Capital assets being depreciated –				
Buildings	1,171,663	-	-	1,171,663
Equipment	595,848	-	-	595,848
Library books	13,314	-	-	13,314
Other improvements	654,977	-	-	654,977
<u>Total capital assets being depreciated</u>	<u>2,435,802</u>	<u>-</u>	<u>-</u>	<u>2,435,802</u>
Less accumulated depreciation for –				
Buildings	(412,370)	(35,981)	-	(448,351)
Equipment	(464,226)	(59,242)	-	(523,468)
Library books	(12,339)	-	-	(12,339)
Other improvements	(435,128)	(37,978)	-	(473,106)
<u>Total accumulated depreciated</u>	<u>(1,324,063)</u>	<u>(133,201)</u>	<u>-</u>	<u>(1,457,264)</u>
<u>Total capital assets being depreciated, net</u>	<u>1,111,739</u>	<u>(133,201)</u>	<u>-</u>	<u>978,538</u>
<u>Governmental activities capital assets, net</u>	<u>\$ 1,225,506</u>	<u>\$(133,201)</u>	<u>\$ -</u>	<u>\$ 1,092,305</u>

TOWN OF WASHINGTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE (4) CAPITAL ASSETS – CONTINUED

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated –				
Land	\$ 123,197	\$ -	\$ -	\$ 123,197
Capital assets being depreciated –				
Buildings	63,067	-	-	63,067
Vehicles	54,359	-	-	54,359
Gas system	363,242	-	-	363,242
Water system	2,666,560	-	-	2,666,560
Sewer system	2,702,894	6,935	(4,200)	2,705,629
Equipment	72,991	-	-	72,991
<u>Total capital assets being depreciated</u>	<u>5,923,113</u>	<u>6,935</u>	<u>(4,200)</u>	<u>5,925,848</u>
Less accumulated depreciation for –				
Buildings	(62,106)	(961)	-	(63,067)
Vehicles	(54,336)	-	-	(54,336)
Gas system	(251,295)	(4,787)	-	(256,082)
Water system	(1,740,141)	(66,004)	-	(1,806,145)
Sewer system	(2,053,608)	(34,869)	3,991	(2,084,486)
Equipment	(71,334)	(591)	-	(71,925)
<u>Total accumulated depreciation</u>	<u>(4,232,820)</u>	<u>(107,212)</u>	<u>3,991</u>	<u>(4,336,041)</u>
<u>Total capital assets being depreciated, net</u>	<u>1,690,293</u>	<u>(100,277)</u>	<u>(209)</u>	<u>1,589,807</u>
<u>Business-type activities capital assets, net</u>	<u>\$ 1,813,490</u>	<u>\$(100,277)</u>	<u>\$ (209)</u>	<u>\$ 1,713,004</u>

Depreciation expense for the year ended June 30, 2017 was charged as follows:

Governmental activities:	
General government	\$ 31,697
Public safety	28,508
Public works	8,613
Culture and recreation	64,383
	<u>\$ 133,201</u>

TOWN OF WASHINGTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE (4) CAPITAL ASSETS – CONTINUED

Business-type activities:	
Water	72,344
Sewer	34,868
Gas	-
	<u> </u>
	<u>\$ 107,212</u>

NOTE (5) RESTRICTED ASSETS – UTILITY FUND

Restricted assets consisted of the following at June 30, 2017:

Customers' deposits	<u>\$ 36,066</u>
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NOTE (6) DEDICATION OF SALES TAX PROCEEDS

The proceeds of the 1.2% Town's sales and use tax are accounted for in the Sales Tax Fund and are dedicated for the following purposes:

1. Sewer and sewerage disposal.
2. Construct, improve and maintain public streets, sidewalks and drainage facilities.

NOTE (7) INTERFUND BALANCES

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds" in the fund financial statements. In the government-wide financial statements, interfund receivables and payables are eliminated within the governmental activities and within the business-type activities. All of these accounts are expected to be repaid within one year from the date of the financial statements. Interfund receivables and payables in the fund financial statements are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Payroll/General Fund	\$ 84,120	\$ 235,414
Utility Fund	150,797	-
Sales Tax Fund	3,647	-
Library Fund	-	45,059
Cemetery Fund	45,000	-
Museum Fund	-	3,091
	<u>\$ 283,564</u>	<u>\$ 283,564</u>

NOTE (8) CHANGES IN LONG-TERM DEBT

	<u>Balance</u> <u>6/30/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2017</u>
Compensated absences payable	\$ 17,097	\$ -	\$ (1,540)	\$ 15,557

TOWN OF WASHINGTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE (9) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2017 consist of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 316,698	\$ 4,700
Utility	-	178,498
Sales tax	-	143,500
Library	15,500	-
Cemetary	-	15,000
Museum	9,500	-
	<u>\$ 341,698</u>	<u>\$ 341,698</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE (10) CONTINGENT LIABILITIES

The Town receives grants for specific purposes that are subject to review and audit by the agencies providing the funding. Such audits and reviews could result in expenses being disallowed under the terms and conditions of the grants. In the opinion of management, such disallowances, if any, would be immaterial.

NOTE (11) COMPENSATION OF ELECTED OFFICIALS

A detail of compensation paid to individual elected officials for the year ended June 30, 2017 follows:

Joseph Pitre, Mayor	\$ 30,635
Aldermen/Alderwomen:	
Mona Bob	8,400
Wilbert Ledet	7,200
William MacBride	7,300
Beau Wilson	7,275
Wilson Doomes, Jr.	7,250
Dallas J Leger	600

NOTE (12) RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town purchases commercial insurance to cover any claims related to these risks.

NOTE (13) OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The Town does not provide any post-employment benefits other than pension and therefore is not required to report under GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions.

TOWN OF WASHINGTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE (14) EVALUATION OF SUBSEQUENT EVENTS

The Town has evaluated subsequent events through September 17, 2018, the date the financial statements were available to be issued.

NOTE (15) PENDING LAWSUITS

Dog Bite Claims, Casey R. Guillot, Shawanna Thibodeaux, Lloyd Henry Mary Freeman and May Freeman. The potential financial exposure is \$15,000. This amount represents the insurance deductible to be paid. The Town's liability insurance provider is required to make financial compensation and/or defense costs associated with this matter above the deductible amount. The Town paid \$5,398 in legal costs leaving a remaining financial exposure of \$9,602.

Junius Bell vs. Town of Washington, et al. The potential financial exposure is \$15,000. This amount represents the insurance deductible to be paid. The Town's liability insurance provider is required to make financial compensation and/or defense costs associated with this matter above the deductible amount.

Lucille Bruno vs. Town of Washington, et al. The potential financial exposure is \$15,000. This amount represents the insurance deductible to be paid. The Town's liability insurance provider is required to make financial compensation and/or defense costs associated with this matter above the deductible amount. The Town paid \$11,360 in legal costs leaving a remaining financial exposure of \$3,640.

Verida B. Lavergne vs. Town of Washington, et al. The potential financial exposure is \$15,000. This amount represents the insurance deductible to be paid. The Town's liability insurance provider is required to make financial compensation and/or defense costs associated with this matter above the deductible amount. The Town paid \$14,405 in legal costs leaving a remaining financial exposure of \$249.

Bryant Odie vs. Town of Washington, et al. The potential financial exposure is \$15,000. This amount represents the insurance deductible to be paid. The Town's liability insurance provider is required to make financial compensation and/or defense costs associated with this matter above the deductible amount. The Town paid \$2,782 in legal costs leaving a remaining financial exposure of \$12,218.

Ronelle Broussard and Cynthia Broussard vs. Town of Washington, et al. The potential financial exposure is \$15,000. This amount represents the insurance deductible to be paid. The Town's liability insurance provider is required to make financial compensation and/or defense costs associated with this matter above the deductible amount. The Town paid \$6,729 in legal costs leaving a remaining balance of \$8,271.

Deborah Clark vs. Town of Washington, et al. The potential financial exposure is \$15,000. This amount represents the insurance deductible to be paid. The Town's liability insurance provider is required to make financial compensation and/or defense costs associated with this matter above the deductible amount.

James Olivier and Janice Olivier vs. Town of Washington, et al. The potential financial exposure is \$15,000. This amount represents the insurance deductible to be paid. The Town's liability insurance provider is required to make financial compensation and/or defense costs associated with this matter above the deductible amount.

NOTE (16) PENSION PLANS

Municipal Police Employees' Retirement System

Plan Description

The Municipal Police Employees' Retirement System is the administrator of a cost-sharing multiple-employer plan. Membership in the System is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing he or she does not

TOWN OF WASHINGTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE (16) PENSION PLANS - CONTINUED

have to pay social security and providing he or she meets the statutory criteria. The System provides retirement benefits for municipal police officers. The Town has three participants. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date.

Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:221111:2233. The following is a brief description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Membership Prior to January 1, 2013

A member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. A member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age with an actuarially reduced benefit.

Benefit rates are three and one-third percent of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200.00 per month, whichever is greater.

Membership Commencing January 1, 2013

Member eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55.

Membership Commencing January 1, 2013

Under the Hazardous and Non Hazardous Duty sub plans, the benefit rates are three percent and two and a half percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from twenty-five to fifty-five percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives ten percent of average final compensation or \$200 per month whichever is greater. If deceased member had less than ten years of service, beneficiary will receive a refund of employee contributions only.

TOWN OF WASHINGTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE (16) PENSION PLANS - CONTINUED

Cost of Living Adjustments

The Board of Trustees is authorized to provide annual cost-of-living adjustments computed on the amount of the current regular retirement, disability, beneficiary or survivor's benefit, not to exceed 3% in any given year. The Board is authorized to provide an additional 2% COLA, computed on the member's original benefit, to all regular retirees, disability, survivors and beneficiaries who are 65 years of age or older on the cut-off date which determines eligibility.

No regular retiree, survivor or beneficiary shall be eligible to receive a cost-of-living adjustment until benefits have been received at least one full fiscal year and the payment of such COLA, when authorized, shall not be effective until the lapse of at least one-half of the fiscal year.

Members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age.

Deferred Retirement Option Plan

A member is eligible to elect to enter the deferred retirement option plan (DROP) when he is eligible for regular retirement based on the members' sub plan participation. Upon filing the application for the program, the employee's active membership in the System is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the DROP is thirty six months or less. If employment is terminated after the three-year period the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into the System shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of the System's investment portfolio as certified by the actuary on an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on the System's investment portfolio return or a money market investment return. This could result in a negative earnings rate being applied to the account.

If the member elects a money market investment return, the funds are transferred to a government money market account.

Initial Benefit Option Plan

In 1999, the State Legislature authorized the System to establish an Initial Benefit Option program. Initial Benefit Option is available to members who are eligible for regular retirement and have not participated in DROP. The Initial Benefit Option program provides both a one-time single sum payment of up to 36 months of regular monthly retirement benefit, plus a reduced monthly retirement benefit for life. Interest is computed on the balance based on same criteria as DROP.

Funding Policy – State statute requires covered employees to contribute 10.00 percent of their salaries to the system. The City is required to contribute 29.5 percent of covered employees' salaries. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the evaluation for the prior fiscal year.

The City's contributions to the System for the years ending June 30, 2017 and 2016 were \$33,602 and \$15,015, equal to the required contributions for the year.

TOWN OF WASHINGTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE (16) PENSION PLANS - CONTINUED

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees' Retirement System, 8401 United Plaza Blvd., Baton Rouge, Louisiana 70809-7017, or by calling (225)929-7411.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the City reported a liability of \$170,304 for its proportionate share of the net pension liability for the MPERS plan. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the MPERS pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the City's proportion was 0.018170%, which was a decrease of 0.008609% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$59,132.

Non-employer contributions

The System also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions are recognized as revenue. The City recognized \$3,381 of non-employer contribution revenue.

At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 26,205	\$ -
Changes in assumptions	8,280	(11,892)
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	64,277	(69,103)
Employer contributions subsequent to measurement date	33,602	-
Total	<u>\$ 132,364</u>	<u>\$ (80,995)</u>

The City reported a total of \$33,602 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2016 which will be recognized as a reduction in net pension liability in the year ended June 30, 2018.

TOWN OF WASHINGTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE (16) PENSION PLANS - CONTINUED

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

Year Ended June 30:	<u>MPERS</u>
2017	\$ 44,473
2018	(19,128)
2019	(7,121)
2020	6,659
Total	<u>\$ 24,883</u>

Actuarial Methods and Assumptions

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position.

The components of the net pension liability of the City as of June 30, 2016 and 2017 are as follows:

	<u>2016</u>	<u>2017</u>
Total Pension Liability	\$ 716,733	\$ 501,517
Plan Fiduciary Net Position	(506,948)	(331,213)
Total Net Pension Liability	<u>\$ 209,785</u>	<u>\$ 170,304</u>

The actuarial assumptions used in the June 30, 2016 valuation were based on the assumptions used in the June 30, 2015 actuarial funding valuation, and were based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014. In cases where benefit structures were changed after the study period, assumptions were based on estimates of future experience.

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2016 are as follows:

	MPERS	
Valuation date	June 30, 2016	
Actuarial cost method	Entry Age Normal Cost	
Expected remaining service lives	2016 - 4 years 2015 - 4 years 2014 - 4 years	
Investment rate of return	7.5%, net of investment expense	
Inflation rate	2.88%	
Salary increases, including inflation and merit	<u>Years of Service</u>	<u>Salary Growth Rate</u>
	1-2	9.75%
	3-23	4.75%
	Over 23	4.25%

TOWN OF WASHINGTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE (16) PENSION PLANS - CONTINUED

The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2009 through June 30, 2014 and review of similar law enforcement mortality. The data was assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set-back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

The best estimates of the arithmetic nominal rates of return for each major asset class included in the System's target allocation as of June 30, 2016 are summarized in the following table:

	June 30, 2016	
Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Equity	53%	3.69%
Fixed Income	21%	0.49%
Alternatives	20%	1.11%
Other	6%	0.21%
Total	100%	5.50%
Inflation		2.75%
Expected Nominal Return		8.25%

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to Changes in Discount Rate

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.5%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.5% or one percentage point higher 8.5% than the current rate as of June 30, 2016.

	Changes in Discount Rate		
	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability	\$ 227,030	\$ 170,304	\$ 122,678

TOWN OF WASHINGTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE (16) PENSION PLANS - CONTINUED

Change in Net Pension Liability

The changes in the net pension liability for the year ended June 30, 2016 were recognized in the current reporting period as pension expense except as follows:

Differences between Expected and Actual Experience:

The differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability were recognized as pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. The difference between expected and actual experience resulted in deferred inflows of resources as of June 30, 2016 in the amount of \$0.

Differences between Projected and Actual Investment Earnings:

The differences between projected and actual investment earnings on pension plan investments were recognized in pension expense using the straight-line amortization method over a closed five-year period. The difference between projected and actual investment earnings resulted in a deferred inflow of resources as of June 30, 2016 in the amount of \$0.

Changes of Assumptions or Other Inputs:

The changes of assumptions about future economic or demographic factors were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. The changes of assumptions or other inputs resulted in deferred outflows of resources and deferred inflows of resources as of June 30, 2016 in the amounts of:

	<u>Deferred</u>	<u>Deferred</u>
	<u>Outflows</u>	<u>Inflows</u>
2016	\$ 2,828	\$ 11,892

Change in Proportion:

Changes in the employer's proportionate shares of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense (benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan.

Differences between contributions remitted to the System and the employer's proportionate share are recognized in pension expense (benefit) using the straight line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with a pension through the pension plan.

TOWN OF WASHINGTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE (17) FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
<u>FUND BALANCES</u>				
Assigned	\$ -	\$ 35,101	\$ 120,348	\$ 155,449
Unassigned	(312,487)	-	(48,691)	(361,178)
<u>Total fund balances</u>	<u>\$ (312,487)</u>	<u>\$ 35,101</u>	<u>\$ 71,657</u>	<u>\$ (205,729)</u>

The General Fund has an unassigned fund balance deficit of \$312,487. The Library Fund and Museum Fund, which are nonmajor funds, have unassigned fund balance deficits of \$45,143 and \$3,548, respectively. These deficits are expected to be eliminated in future years by identifying and assessing additional revenue sources, expenditure reduction through employee attrition, and transfers from other funds.

NOTE (18) GOING CONCERN

The Town has past due liabilities as of September 17, 2018, in the amount of \$468,000, which includes (1) amounts due to various agencies for fines collected - \$232,000; (2) lawsuits payable - \$49,000; (3) General Fund payables - \$118,000; (4) Utility Fund payables - \$69,000. Current available assets are estimated at \$150,000. The Town also ran deficits in fund balance for the past few years and is projected to run deficits in the next fiscal year. The Town's most significant plans involve performing the following actions to mitigate these conditions:

- The Town has cut expenses, including salaries and benefits.
- New officers were hired and are expected to generate revenue through additional traffic fines.
- The Town hired American Municipal Services to collect past due fines, which were sent to the State and remain uncollected. The amount uncollected is expected to be approximately \$2,000,000. The Company personnel estimates, through prior experience with other clients, that they should collect 10% per year for 7.5 years, or 75%, over the 7.5 year period. The Town estimates that if they collect 30%, this amount will be sufficient to pay old liabilities.
- The Town passed a budget, for the year ended June 30, 2019, that estimates a \$388,000 operating income, which includes collection of prior year fines.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF WASHINGTON, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<u>REVENUES</u>				
Taxes	\$ 79,000	\$ 74,443	\$ 75,235	\$ 792
Licenses and permits	51,000	59,757	55,944	(3,813)
Intergovernmental	69,000	178,124	170,461	(7,663)
Charges for services	22,800	20,800	23,030	2,230
Fines and forfeits	350,000	419,235	442,798	23,563
Interest income	-	-	61	61
Miscellaneous	58,050	56,415	88,032	31,617
<u>Total revenues</u>	<u>629,850</u>	<u>808,774</u>	<u>855,561</u>	<u>46,787</u>
<u>EXPENDITURES</u>				
Current				
General government	435,850	528,154	453,532	74,622
Public safety	450,900	480,246	574,767	(94,521)
Public works	201,800	76,585	229,366	(152,781)
Culture and recreation	14,300	8,215	7,710	505
Maintenance department	9,783	8,841	41,036	(32,195)
Capital outlay	-	-	-	-
<u>Total expenditures</u>	<u>1,112,633</u>	<u>1,102,041</u>	<u>1,306,411</u>	<u>(204,370)</u>
<u>EXCESS (DEFICIENCY) OF</u>				
<u>REVENUES OVER (UNDER)</u>				
<u>EXPENDITURES</u>				
	(482,783)	(293,267)	(450,850)	(157,583)
<u>OTHER FINANCING SOURCES</u>				
<u>(USES)</u>				
Transfers in	551,000	125,112	316,698	191,586
Transfers out	-	(4,200)	(4,700)	(500)
<u>Total other financing sources (uses)</u>	<u>551,000</u>	<u>120,912</u>	<u>311,998</u>	<u>191,086</u>
<u>NET CHANGE IN FUND BALANCE</u>	68,217	(172,355)	(138,852)	33,503
<u>FUND BALANCE, beginning of year</u>	1,713	(173,635)	(173,635)	-
<u>FUND BALANCE, end of year</u>	<u>\$ 69,930</u>	<u>\$ (345,990)</u>	<u>\$ (312,487)</u>	<u>\$ 33,503</u>

See notes to budgetary comparison schedules.

TOWN OF WASHINGTON, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
SALES TAX FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<u>REVENUES</u>				
Taxes				
Sales taxes	\$ 125,000	\$ 140,576	\$ 149,054	\$ 8,478
Interest	100	18	21	3
<u>Total revenues</u>	<u>125,100</u>	<u>140,594</u>	<u>149,075</u>	<u>8,481</u>
<u>EXPENDITURES</u>				
Current				
General government	1,875	4,088	441	3,647
<u>EXCESS (DEFICIENCY) OF</u> <u>REVENUES OVER (UNDER)</u> <u>EXPENDITURES</u>				
	123,225	136,506	148,634	12,128
<u>OTHER FINANCING USES</u>				
Operating transfers out	(150,000)	(97,000)	(143,500)	(46,500)
<u>NET CHANGE IN FUND BALANCE</u>				
	(26,775)	39,506	5,134	(34,372)
<u>FUND BALANCE, beginning of year</u>				
	52,708	29,967	29,967	-
<u>FUND BALANCE, end of year</u>				
	<u>\$ 25,933</u>	<u>\$ 69,473</u>	<u>\$ 35,101</u>	<u>\$ (34,372)</u>

See notes to budgetary comparison schedules.

TOWN OF WASHINGTON, LOUISIANA
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Fiscal</u> <u>Year</u>	<u>Employer</u> <u>Proportionate</u> <u>of the</u> <u>Net Pension</u> <u>Liability</u> <u>(Asset)</u>	<u>Employer</u> <u>Proportionate</u> <u>Share of the</u> <u>Net Pension</u> <u>Liability</u> <u>(Asset)</u>	<u>Employer's</u> <u>Covered</u> <u>Employee</u> <u>Payroll</u>	<u>Employer's</u> <u>Proportionate</u> <u>Share of the</u> <u>Net Pension</u> <u>Liability</u> <u>(Asset) as a</u> <u>Percentage of</u> <u>It's Covered</u> <u>Employee Payroll</u>	<u>Plan Fiduciary</u> <u>Net Position</u> <u>as a Percentage</u> <u>of the Total</u> <u>Pension Liability</u>
MPERS	2017	0.018170%	\$ 170,304	\$ 105,834	160.91%	66.04%
	2016	0.026779%	209,785	50,898	412.17%	70.73%
	2015	0.033536%	201,352	90,765	221.83%	75.10%

This schedule will contain ten years of historical information once such information becomes available.

TOWN OF WASHINGTON, LOUISIANA
SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017

	Fiscal Year	Contractually Required Contribution	Contributions in Relation to Contractual Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a Percent of Covered Employee Payroll
MPERS	2017	\$ 33,602	\$ 33,602	\$ -	\$ 105,834	31.75%
	2016	15,015	15,015	-	50,898	29.50%
	2015	28,591	28,591	-	90,765	31.50%

This schedule will contain ten years of historical information once such information becomes available.

TOWN OF WASHINGTON, LOUISIANA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

NOTE (1) BUDGETS AND BUDGETARY ACCOUNTING

The Town of Washington uses the following budget practices:

1. Prior to July 1, the department heads submit to the Town a proposed operating budget for the ensuing fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. The budget is then legally enacted through passage of a resolution.
4. Any amendment involving the transfer of monies from one department to another or from one program or function to another or any other increases in expenditures exceeding amounts estimated must be approved by the Board of Aldermen/Alderwomen.
5. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. The budget is employed as a management control device during the year that assists its users in financial activity analysis.

All budgeted appropriations lapse at year-end. All budgeted amounts presented reflect the original budget and the final budget (which has been adjusted for legally authorized revisions during the year).

NOTE (2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The following individual fund had actual expenditures over budgeted expenditures for the year ended June 30, 2017:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	\$ 1,102,041	\$ 1,306,411	\$ (204,370)

NOTE (3) PENSION PLAN

Changes of Assumptions – Changes of assumptions about future economic or demographic factors or of other inputs were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plans. These assumptions included the rate of investment return, mortality of plan members, rate of salary increase, rates of retirement, rates of termination, rates of disability, and various other factors that have an impact on the cost of the plans.

OTHER SUPPLEMENTARY INFORMATION
(OPTIONAL)

TOWN OF WASHINGTON, LOUISIANA
BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUND
JUNE 30, 2017

	<u>Library Fund</u>	<u>Cemetery Fund</u>	<u>Museum Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 880	\$ 75,361	\$ 1,378	\$ 77,619
Grant receivable	-	-	-	-
Due from other funds	-	45,000	-	45,000
<u>Total assets</u>	<u>\$ 880</u>	<u>\$ 120,361</u>	<u>\$ 1,378</u>	<u>\$ 122,619</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts payable and accrued expenditures	\$ 964	\$ 13	\$ 1,835	\$ 2,812
Due to other funds	45,059	-	3,091	48,150
<u>Total liabilities</u>	<u>46,023</u>	<u>13</u>	<u>4,926</u>	<u>50,962</u>
<u>FUND BALANCES</u>				
Assigned	-	120,348	-	120,348
Unassigned	(45,143)	-	(3,548)	(48,691)
<u>Total fund balances</u>	<u>(45,143)</u>	<u>120,348</u>	<u>(3,548)</u>	<u>71,657</u>
<u>Total liabilities and fund balances</u>	<u>\$ 880</u>	<u>\$ 120,361</u>	<u>\$ 1,378</u>	<u>\$ 122,619</u>

TOWN OF WASHINGTON, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Library Fund</u>	<u>Cemetery Fund</u>	<u>Museum Fund</u>	<u>Total</u>
REVENUES				
Charges for services	\$ 2,105	\$ 6,600	\$ 35,246	\$ 43,951
Grant revenue	3,840	-	-	3,840
<u>Total revenues</u>	<u>5,945</u>	<u>6,600</u>	<u>35,246</u>	<u>47,791</u>
EXPENDITURES				
Current				
General government	44,330	593	50,378	95,301
Culture and recreation	407	-	-	407
Capital outlay	-	-	-	-
<u>Total expenditures</u>	<u>44,737</u>	<u>593</u>	<u>50,378</u>	<u>95,708</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(38,792)</u>	<u>6,007</u>	<u>(15,132)</u>	<u>(47,917)</u>
OTHER FINANCING SOURCES				
Operating transfers in	15,500	-	9,500	25,000
Operating transfers out	-	(15,000)	-	(15,000)
<u>Total other financing sources</u>	<u>15,500</u>	<u>(15,000)</u>	<u>9,500</u>	<u>10,000</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>(23,292)</u>	<u>(8,993)</u>	<u>(5,632)</u>	<u>(37,917)</u>
<u>FUND BALANCE, beginning of year</u>	<u>(21,851)</u>	<u>129,341</u>	<u>2,084</u>	<u>109,574</u>
<u>FUND BALANCE, end of year</u>	<u>\$ (45,143)</u>	<u>\$ 120,348</u>	<u>\$ (3,548)</u>	<u>\$ 71,657</u>

RELATED REPORTS

VIGE, TUJAGUE NOEL

A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Mayor and Board of
Aldermen/Alderwomen
Town of Washington, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Washington, Louisiana, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Town of Washington, Louisiana's basic financial statements and have issued our report thereon dated September 17, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Washington, Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Washington, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Washington, Louisiana's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However,

material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2017-001 through 2017-005, that we consider to be significant deficiencies.

Compliance and Other Matters

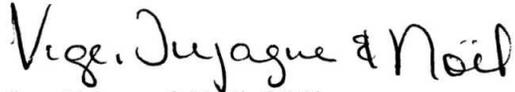
As part of obtaining reasonable assurance about whether Town of Washington, Louisiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2017-001 through 2017-005.

Town of Washington, Louisiana's Response to Findings

Town of Washington, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town of Washington, Louisiana's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Vige, Tujague & Noël, CPA's
September 17, 2018

TOWN OF WASHINGTON, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2017

We have audited the financial statements of Town of Washington as of and for the year ended June 30, 2017, and have issued our report thereon dated September 17, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2017, resulted in an unmodified opinion.

Section I. Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses ___ Yes X No Significant Deficiencies X Yes ___ No

Compliance

Noncompliance Material to Financial Statement ___ Yes X No

b. Federal Awards

None

Section II. Financial Statement Findings

2017-001 Segregation of Duties

Condition:

The Town of Washington did not have adequate segregation of functions within the accounting system.

Criteria:

SAS109, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, AU 314.43 defines internal control as follows:

"Internal control is a process, affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations."

Additionally, Statements on Standards for Attestation Engagements (SSAE) AT 501.03 states:

"An entity's internal control over financial reporting includes those policies and procedures that pertain to an entity's ability to record, process, summarize, and report financial data consistent with the assertions embodied in either annual financial statements or interim financial statements, or both."

TOWN OF WASHINGTON, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
YEAR ENDED JUNE 30, 2017

Cause:

The cause of the condition is the fact that the Town does not have a sufficient number of staff performing administrative and financial duties so as to provide adequate segregation of accounting and financial duties.

Effect:

Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

Recommendation:

Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

Response:

The Town will consider how it can possibly strengthen its segregation of duties with present employees. However, the Town believes that the cost to hire additional accounting personnel is not cost beneficial based upon the size of the Town's operations.

2017-002

Budgeting

Condition:

The Town exceeded certain budget line items by greater than 5%.

Criteria:

The Local Government Budget Act (R.S. 396:1301-1314) states that total budgeted revenues should not exceed total actual revenues by greater than 5% and total actual expenditures should not exceed total budgeted expenditures by greater than 5%. When this occurs, the budget should be amended prior to year end.

Cause:

The Town's accounting personnel did not have all year end adjustments in place when the budget was amended.

Effect:

The Town's actual expenses exceeded budgeted expenses by greater than 5% in the General Fund.

TOWN OF WASHINGTON, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
YEAR ENDED JUNE 30, 2017

Recommendation:

We recommend that all year end adjustments be posted or estimated as correctly as possible to ensure that this is not a reoccurring problem.

Response:

The Town will comply with this recommendation.

2017-003 Late Audit Submission

Condition:

The audit was not complete or submitted within six month of the close of the entities fiscal year end.

Criteria:

The audit report should be completed and submitted to the Louisiana Legislative Auditor's office within six months of the close of the entities fiscal year end.

Cause:

The entity was unable to pay the total audit fee from the prior year.

Effect:

The audit was not complete and submitted by the December 31, 2017 deadline.

Recommendation:

We recommend that the Town pay the audit fee as soon as the funds are available, in order to ensure that the audit is competed and submitted in a timely manner.

Response:

The Town intends to pay the audit fee prior to year end, in order to ensure that future audits may be competed and submitted on time.

2017-004 Inadequate Insurance Coverage

Condition:

The Town's commercial insurance policy was cancelled March 8, 2017 due to nonpayment.

TOWN OF WASHINGTON, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
YEAR ENDED JUNE 30, 2017

Criteria:

The Town should maintain adequate insurance coverage at all times.

Cause:

The entity was unable to pay the premium for the commercial insurance policy.

Effect:

The insurer cancelled the commercial insurance policy as of March 8, 2017.

Recommendation:

We recommend that the Town obtain a commercial policy immediately and maintain adequate insurance coverage at all times.

Response:

The Town was in the process of obtaining quotes for a commercial insurance policy. Full coverage was obtained on July 1, 2017.

2017-005

Ticket Fees Payable

Condition:

The Town failed to pay the required ticket fees to the Louisiana Commission on Law Enforcement, Acadiana Criminalistics Laboratory, and St. Landry Crime Stoppers in the amount of \$21,948, \$134,218 and \$16,450 for the year ended June 30, 2017, respectively. Subsequent to June 30, 2017 up until September 17, 2018, the balance increased to \$25,870, \$210,199 and \$15,034, respectively.

Criteria:

- Louisiana Commission on Law Enforcement (LCLE) - Revised Statute R.S. 46:1816 (E)(1) states that an additional \$2 be added to the court costs when any person is convicted of any felony, misdemeanor or any local ordinance in any court, including Mayor's courts and Magistrate courts.
- Acadiana Criminalistics Laboratory – Revised Statute R.S. 40:2266.1 states that in all parishes in which a criminalistics laboratory commission is now or is hereafter established, every defendant shall be taxed for violations of the provisions of Title 32 of Louisiana Revised Statutes of 1950, or of city or parish traffic ordinances in the amount of \$10.
- St. Landry Crime Stoppers – Article 895.4 Probation; fees; certified crime stoppers organizations states that when a defendant in a criminal or traffic matter is convicted of any criminal offense or of any traffic offense in any court for which the appropriate certifying officer has certified one or more organizations as certified crime stoppers organizations, the court shall assess an additional cost of court for each offense for which the defendant is

TOWN OF WASHINGTON, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
YEAR ENDED JUNE 30, 2017

convicted. This cost of court shall be in the amount of \$2 and shall be in addition to all other fines, penalties, and costs imposed by the court. The court shall not suspend the payment of this cost of court.

Cause:

The Town used the funds for operating expenses.

Effect:

The Town is in violation of the statutes described above.

Recommendation:

We recommend that the Town submit the required fees to each organization in a timely manner.

Response:

The Town agrees with the recommendation and will try to set up a payment schedule with the appropriate entities.

TOWN OF WASHINGTON, LOUISIANA
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2017

Section I. Internal Control and Compliance Material to the Financial Statements

2016-001 Segregation of Duties

Finding:

The Town does not have an adequate segregation of duties in the administrative office. A system of internal control procedures contemplates a segregation of duties so that no one individual handles a transaction from its inception to its completion. While we recognize that the Town may not be large enough to permit an adequate segregation of duties for an effective system of internal control procedures, it is important that you be aware of this condition.

Recommendation:

Keeping in mind the limited number of employees to which duties can be assigned, the Town should monitor assignment of duties to assure as much segregation of duties and responsibility as possible.

Current Status:

This finding is repeated for June 30, 2017.

2016-002 Budgeting

Finding:

The Town exceeded certain budget line items by greater than 5%.

Recommendation:

We recommend that all year end adjustments be posted or estimated as correctly as possible to ensure that this is not a reoccurring problem.

Current Status:

This finding is repeated for June 30, 2017.

TOWN OF WASHINGTON, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
YEAR ENDED JUNE 30, 2017

Agency Head: Mayor Joseph Pitre
Period: 12 Months

Purpose:	
Salary	\$23,500
Benefits – retirement	2,950
Car allowance	6,000

September 17, 2018

Vige, Tujague & Noel, CPA's
P.O. Box 1006
Eunice, LA 70535

Re: Management Response

The following is our responses to your recommendations we received in the Town of Washington's financial statements as of June 30, 2017.

2017-001 Segregation of Duties

The Town will consider how it can possibly strengthen its segregation of duties with present employees. However, the Town believes that the cost to hire additional accounting personnel is not cost beneficial based upon the size of the Town's operations.

2017-002 Budgeting

The Town will comply with this recommendation.

2017-003 Late Audit Submission

The Town intends to pay the audit fee prior to year end, in order to ensure that future audits may be completed and submitted on time.

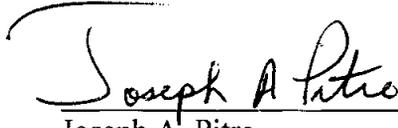
2017-004 Inadequate Insurance Coverage

The Town was in the process of obtaining quotes for a commercial insurance policy. Full coverage was obtained on July 1, 2017.

2017-005 Ticket Fees Payable

Response:

The Town agrees with the recommendation and will try to set up a payment schedule with the appropriate entities.



Joseph A. Pitre

TOWN OF WASHINGTON, LOUISIANA
STATEWIDE AGREED-UPON PROCEDURES REPORT
YEAR ENDED JUNE 30, 2017

VIGE, TUJAGUE NOEL

A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

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EUNICE, LOUISIANA 70535

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Management and Board of Aldermen of the Town of Washington, Louisiana and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Town of Washington, Louisiana and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The Town of Washington, Louisiana's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
The Town does not have written policies and procedures addressing budgeting.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase

orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

The Town does not have written policies and procedures addressing purchasing.

- c) **Disbursements**, including processing, reviewing, and approving

The Town does not have written policies and procedures addressing disbursements.

- d) **Receipts**, including receiving, recording, and preparing deposits

The Town does not have written policies and procedures addressing receipts.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Written policies were obtained and address the functions noted above.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

The Town does not have written policies and procedures addressing contracting.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage

The Town does not have written policies and procedures addressing credits cards because the Town does not have any credit cards.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

Written policies and procedures were obtained and address the functions noted above.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

The Town does not have written policies and procedures addressing ethics.

- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The Town does not have written policies and procedures addressing debt service.

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

Obtained and reviewed minutes of the managing board for the fiscal period noting that the board met monthly.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

Obtained and reviewed minutes of the managing board for the fiscal period noting that the minutes do not include or reference monthly budget-to-actual comparisons for the major funds.

- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

There are no budget-to-actual comparisons and management did not have a formal/written plan to eliminate deficit spending during the fiscal year.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

Obtained and reviewed the minutes of the managing board for the fiscal period noting that non-budgetary financial information was referenced.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

Obtained a listing of cash collection locations and management's representation that the listing is complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Obtained bank statements and reconciliations for all months in the fiscal period for all selected accounts noting that reconciliations have been prepared by a fee accountant; however, they are inaccurate due to old outstanding checks and adjustments that have not been removed or accounted for.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

The bank reconciliations prepared for all accounts examined did not have evidence of management review.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Obtained bank statements and reconciliations for all months in the fiscal period and there is no evidence of management's documentation of research for items that have been outstanding for more than 6 months.

Collections

- 5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Obtained a listing of cash collection locations and management's representation that the listing is complete.

- 6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). For each cash collection location selected:

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

Written documentation was obtained and addresses the functions note above; however, the persons responsible for collecting cash are also responsible for recording the related transaction and share a cash drawer with another employee.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

Written documentation was obtained and addresses the functions noted above; however, this process is not performed by a person independent of the cash collections process.

c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

Collection documentation was obtained and deposits were made within one day of collection.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Daily cash collections are completely supported by collection documentation.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

The Town does not have written policies and procedures addressing the above functions. The person who collects cash also determines completeness.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

Listing of disbursements and management's representation that the listing is complete was obtained.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Examined supporting documentation for each of the 25 disbursements selected and found that purchases are not initiated using a requisition or purchase order system. The initiation and approval functions are not always separate. Checks require two signatures, the clerk and the mayor. The clerk also initiates purchases. The mayor approves all purchases when he signs checks, which are attached to invoices.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Examined supporting documentation for each of the 25 disbursements selected and found that purchases are not initiated using a requisition or purchase order system. The initiation and approval functions are not always separate. Checks require two signatures, the clerk and the mayor. The clerk also initiates purchases. The mayor approves all purchases when he signs checks, which are attached to invoices.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Examined supporting documentation for each of the 25 disbursements and found all payments processed included an invoice/receiving report, with the exception of one transaction, in which a folder was misplaced. The mayor approves all purchases when he signs checks, which are attached to invoices.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

The Town does not have written policies and procedures addressing the functions noted above. The person responsible for processing payments can also add vendors.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

The Town does not have written policies and procedures addressing the functions noted above. The person with signatory authority also can initiate and record purchases. However, checks require two signatures, the mayor and clerk.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Inquiry and observation noted no exceptions. The persons with signatory authority have system access to print checks. However, checks require two signatures, the mayor and clerk.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

No signature stamp or signature machine is utilized.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

There are no active credit cards, bank debit cards, fuel cards, and P-cards. Management represented that this is accurate.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

Not applicable.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

Not applicable.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)

Not applicable.

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

Not applicable.

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

Not applicable.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

Not applicable.

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Not applicable.

Travel and Expense Reimbursement

- 17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Listing of travel and expense reimbursements by person and management's representation that the listing is complete was obtained.

- 18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Policies were obtained. No amounts listed exceed GSA rates.

- 19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

Expenses were paid in accordance with policy.

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

No exceptions noted.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

No exceptions noted.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

No exceptions noted.

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions noted.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Expenses are approved in writing by the someone other than the person receiving the reimbursement, with the exception of the mayor.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Management has stated that there were no formal contracts during the fiscal year and we have obtained management's representation agreeing with this statement.

21. Using the listing above, select the five contract “vendors” that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

Not applicable.

b) Compare each contract’s detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

➤ If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

Not applicable.

➤ If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

Not applicable.

c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

Not applicable.

d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

Not applicable.

e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Not applicable.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management’s representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

Listing of employees with their related salaries and management's representation that the listing is complete was obtained.

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

No exceptions noted.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

No changes were made to hourly pay rates/salaries of those employees selected for testing during the fiscal year.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

No exceptions noted.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

There is no written documentation that supervisors approved, in writing, the attendance and leave of the selected employees.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Documentation of leave records is maintained in Quickbooks.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

A listing of employees/officials terminated during the fiscal year and management's representation that the listing is complete was obtained. Termination payments were made in strict accordance with policy and approved by management.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

State withholding tax has not been remitted to the state for the period beginning January 2017 through June 2017, totaling \$7,927. Due to changes in employee responsibilities, state payroll tax filings were overlooked. All other payroll tax and retirement reporting requirements and contributions have been made.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under “Payroll and Personnel” above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

We obtained ethics compliance documentation maintained by management to demonstrate that required ethics training was completed for employees in the testing sample. Only two out of the five employees selected completed the requirement.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management’s actions complied with the entity’s ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Management asserted that they have received no allegations during the fiscal year.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

There was no debt issued during the fiscal period.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

There was no outstanding debt during the fiscal period.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Not applicable.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management has asserted that the entity did not have any misappropriation of public funds or assets.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.lla.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Required notice was posted on the entity's premises.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

No exceptions noted.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Vige, Tujague & Noel

Vige, Tujague & Noel

Eunice, Louisiana

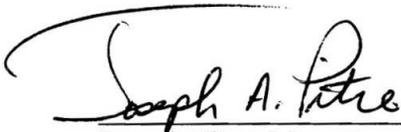
September 17, 2018

TOWN OF WASHINGTON, LOUISIANA

Management's Response to Statewide Agreed-Upon Procedures
For the Year Ended June 30, 2017

Management Response to Item:

- 1a, 1b, 1c, 1d, 1f, 1g,
1i, 1j The Town will compile a cumulative collection of policies and procedures to be adopted at a council meeting.
- 2b The Town will include and reference in the board minutes, the monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the prior year audit.
- 4a, 4b, 4c The mayor or member of the board will initial the reconciliations prepared by the fee accountant to provide evidence of review. The Town clerk will provide documentation of research for reconciling items that have been outstanding for more than 6 months and remove items that are void from the reconciliation.
- 6a, 6b, 7, 9a, 9b, 9c
10, 11, 12, 19d Efforts will be made to segregate duties in these areas as much as possible with the limited number of employees involved.
- 23b The mayor or supervisors will approve, in writing, the attendance and leave of all employees.
- 25 In the future, all payroll filing and payment requirements will be completed in a timely manner.
- 26 All employees and officials will complete the ethics training requirement and management will maintain documentation of compliance.



Joseph Pitre, Mayor